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Commentary: We must act to protect Proposition 13

By Michelle Steel

The sheer volume of legislation flowing through the state Capitol at any given time can be overwhelming — Gov. Jerry Brown signed 800 bills into law this year alone.

But if there's one issue Californians should know about if they own or plan on owning a home or business, it is the threat to Proposition 13.

Proposition 13, which the people of California passed with overwhelming support in 1978, today protects all property owners in the state. This landmark constitutional amendment limits property tax to 1% of the assessed value of a property at the time of purchase and caps increases at 2% annually.

Proposition 13 allows property owners to know exactly what to expect in the future — helping to provide an island of tax stability for businesses and homeowners. However, not everyone wants to keep this reliable approach to property taxes in place.

Every year, numerous bills are introduced to weaken or eliminate Proposition 13 protections. Many aim to create a "split roll," under which commercial property would be taxed differently from residential property, effectively spiking taxes on business. This would have disastrous consequences for our economy.

While it is unlikely that opponents of Proposition 13 could pass a constitutional amendment increasing the 1% tax limit on commercial property, policymakers are full of creative ideas that may reach the governor's desk in the next legislative session.

Attempts to create a de facto split roll include proposals to allow different parcel taxes on different types of properties and attempts to redefine a change of ownership to trigger more frequent reassessments on commercial properties.

For example, today the law requires parcel taxes passed by school districts to "apply uniformly to all taxpayers or all real property" within the district, with only three special exemptions for seniors and the disabled. One very creative split-roll proposal would add a clause to "clarify" that this requirement does not bar school districts from assessing taxes differently among different taxpayers and types of property.

Proponents of the split-roll scheme argue that these changes are necessary because businesses ought to "pay their fair share." But in California, many commercial property owners are small businesses that would not be able to afford the increased taxes created by a split roll.

Moreover, data compiled by the California Taxpayers Assn. shows that more than 60% of the property tax burden falls on commercial and other non-residential property. Ignoring that data and increasing the tax burden on business even further would mean higher costs for consumers and fewer jobs in the future.

According to the nonpartisan tax foundation's 2014 Business Tax Climate Index, California ranks 48 among the states for hospitality to business and economic growth. We've achieved that low standing, according to the authors, because of our complex and burdensome tax code.

But there is one ray of sunshine: the property tax.

California's property tax system ranks 14th among the 50 states in this year's index because of the stability created by Proposition 13. Removing that stability and allowing property tax rates on businesses to increase would have serious economic costs. One study cited in the index finds that a 1% increase in property tax reduces employment growth by 2.44%. That would hurt all of us.

Instead of working to rid our state of the positive elements in our tax code, lawmakers would do well to protect the principles that work so well in Proposition 13 and apply them to the rest of the system. Low, broad-based tax rates, such as those protected by Proposition 13, provide fairness and consistency for individuals and for businesses.

And they open the door to economic growth. A split-roll tax would close it.

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